LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 7054 **NOTE PREPARED:** Feb 26, 2003
BILL NUMBER: HB 1128 **BILL AMENDED:** Feb 25, 2003

SUBJECT: Health Provider Reimbursement.

FIRST AUTHOR: Rep. Pelath **BILL STATUS:** CR Adopted - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: (Amended) This bill specifies certain requirements for health care providers, health insurers, and health maintenance organizations concerning verification of health coverage, notice of third party billings, billing and payment for health care services, adjusted subsequent claims, and preauthorization of health care services.

Effective Date: (Amended) Upon Passage; July 1, 2003; January 1, 2004.

Explanation of State Expenditures: (Revised) This bill will tend to have minimal impact on health care costs for health maintenance organization plans and group insurance plans. The bill has three components: (1) Notice requirement for patients to verify coverage of service prior to hospital admittance, (2) Claim overpayment adjustments, (3) Provider payment collection procedural changes, (4) Preauthorization of services, and (5) A requirement for the Department of Insurance to promulgate rules. Any potential cost associated with these provisions could result in higher health insurance premiums. The fiscal impact associated with each of these provisions is estimated in the following sections.

(1) Notice Requirement - This bill requires hospitals to notify patients to verify that services provided are covered under the patient's insurance. The hospital is required to post signage and provide written notice to an individual. This does not require the hospital staff to verify service coverage. The burden is placed upon the patient. Cost: negligible.

(2) Claim Overpayment Adjustments - Currently, insurers are not required to provide a detailed listing of what procedure was overpaid, when the procedure was performed, or identifying information regarding the patient. This bill requires additional information be included in the notice of fee adjustment in subsequent

claims. An insurer has a window of two years to make a claim overpayment adjustment. Cost: This requirement is expected to have minimal cost.

(3) Provider Payment Collection Procedural Changes - This provision has several components. It requires a provider to attempt to collect payment from the insurer(s) prior to contacting the insured for payment. If a provider does collect payment for health care services from the insured, the provider must reimburse the insured if and when the insurer or health maintenance organization makes payment to the provider. It allows the provider to send a notice to an insured regarding pending charges, but must clearly state the notice is not a bill. Cost: This requirement is expected to have minimal cost.

(4) Preauthorization of Services - Under current practice insurers may deny payment for service if certain conditions are not met. Examples include when a physician was granted preauthorization, but the hospital did not request preauthorization; and a procedure was authorized for one date and performed on another. This bill excludes all reasons for denial other than: medically unnecessary procedures, coverage was not in effect on date of service, and the procedure was performed more than 7 days later than a preauthorized date. Cost: Negligible. This provision may actually reduce expenditures in that an insurer would not be required to seek re-authorization for a procedure if the date were changed from the original due to unforeseen events.

(5) Department of Insurance Rule Promulgation - This provision requires the Department to promulgate rules regarding insurer and provider notice to insured individuals. These requirements include: hospital signage language, benefit card language, and font size for these required notices. It is assumed that these functions are part of the Department's administrative duties and can be performed with current staff and resources.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*. This bill may minimally increase health care costs for health maintenance organization plans and group insurance plans.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: All that use health maintenance organization plans and group insurance plans for employee health care.

Information Sources: Connie Brown, Chief Financial Officer, MPlan, 317-571-5380.

Fiscal Analyst: Michael Molnar, 317-232-9559